

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 22 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF MEADE COUNTY)
RURAL ELECTRIC COOPERATIVE CORP.)
FOR AN ADJUSTMENT OF RATES) CASE NO. 2006-00500

ATTORNEY GENERAL'S POST-HEARING BRIEF

On or about November 21, 2006, Meade County Rural Electric Cooperative Corp. ["MCRECC"] filed its notice of intent to file an application to increase its rates, which led to the Commission instituting the instant docket. The Commission granted the Attorney General's motion to intervene. Discovery followed, and a public hearing was held on August 1, 2007.

1. Revenues and Expenses

A. MCRECC's Ratepayers Paying for MCRECC's Attorney Expenses at Seminars

At the hearing, Mr. Burns Mercer testified that MCRECC is aware of the Commission's long-standing policy against seeking rate relief for attorney expenses at legal seminars. However, Mr. Mercer reiterated the company's position that it is legitimate for ratepayers to pay these expenses. At the hearing, Mr. Mercer confirmed the company's prior responses to AG1-3 and AG 1-4, which indicated that the expenses in this regard totaled \$1,896.13.

The Attorney General urges the Commission to exclude this sum from the rate base, consistent with its prior policy.

B. Normalize Expense Levels in Account No. 921

In discovery, Ms. Karen Brown testified that the purchasing pattern for account

no. 921 (Office Supplies and Expenses) “. . . reflects irregular purchases.”¹ However, Ms. Brown in the same response indicated that MCRECC expects costs to increase. During the hearing, Ms. Brown reiterated that she expects those costs to fluctuate.

Given the uncertain and irregular pattern of purchases in this account, the Attorney General requests that the Commission normalize expenses over the last five (5) years, which should yield an expense level of \$113,091.80.

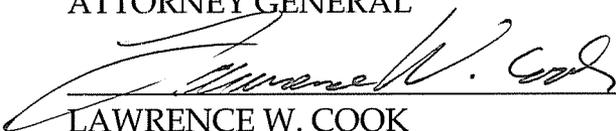
C. Normalize Expenses for Account No. 593 (Maintenance of Overhead Lines)

MCRECC’s filing indicates that expenses for this account for the test year increased 67.5% over the preceding year. The five (5) year normalized level of expenses for this account is \$345,424.60. The test year level of expenses exceeds the normalized level by 37.1%.

Given the irregular pattern of expense reporting in this account, especially the extraordinary increase in test year expenditures over the prior year, the Attorney General requests that the Commission substitute the five (5) year normalized level of expenses in lieu of the test year figures.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL



LAWRENCE W. COOK
ASSISTANT ATTORNEY GENERAL
1024 CAPITAL CENTER DRIVE,
SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315

¹ See Company response to AG 1-5.

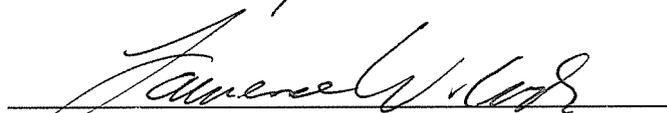
Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Burns E. Mercer
President & CEO
Meade County R.E.C.C.
P. O. Box 489
Brandenburg, KY 40108-0489

Hon. Thomas C. Brite
Attorney At Law
Brite & Butler
P.O. Box 309
Hardinsburg, KY 40143-0309

this 22nd day of August, 2007


Assistant Attorney General